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AGENDA ITEM 3a

TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE

- I. SUBJECT:** First and Second Quarter Status Reports on Performance Plans of the Chief Executive Officer, Chief Actuary, General Counsel, Chief Investment Officer and His Direct Reporting Staff
- II. PROGRAM:** Administration
- III. RECOMMENDATIONS:** Recommend the Board Accept First and Second Quarter Status Reports on Performance Plans of the Chief Executive Officer, Chief Actuary, General Counsel, Chief Investment Officer and His Direct Reporting Staff

IV. ANALYSIS:

The Compensation Policies and Procedures provide that, following the end of each quarter in the fiscal year, executives will prepare short status reports on their respective performance plans for the Performance and Compensation Committee. Because this item was deferred at the November 2010 Performance & Compensation Committee Meeting, first quarter status reports have not yet been presented to the Committee. Attached are the cumulative status reports for the first and second quarters of the 2010-2011 Fiscal Year (July 1 – December 31) for the Chief Executive Officer, Chief Actuary, General Counsel, Chief Investment Officer, Chief Operating Investment Officer and Senior Investment Officers.

Proposed Changes to Performance Plans

Additional language is proposed to be included in the qualitative Leadership performance measure for all Investment performance plans. This change includes specific enterprise-wide goals which align the Investment Management position performance plans with those of all other CalPERS Executives, and is listed under the heading of Organizational Management Practices.

One other change presented for the Committee's approval is in the plan of the Senior Investment Officer, Fixed Income. The change reflects the recent creation of two new Securities Lending composites.

The proposed changes are shown in the affected status reports in underline and strikeout format for the Committee's consideration.

In accordance with the program policies and procedures, changes of the quantitative measures have been reviewed for clarity by the investment consultant. The incumbents have been made aware of the changes.

V. STRATEGIC PLAN:

Under Goal III of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

VI. RESULTS/COSTS:

The establishment of performance plan measures is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization. The cost of performance awards that might arise from the recommendations in this item will be funded from existing resources.

MICHAEL A. WILLIHNGANZ, Chief
Human Resources Division

RUSSELL G. FONG
Interim Assistant Executive Officer
Administrative Services Branch

Attachments

**Quarterly Incentive Plan Status Reports
First and Second Quarter 2010-11 Fiscal Year**

The cumulative FY 2010-11 first and second quarter status reports are presented in the following order:

Position	Incumbent
Chief Executive Officer	Anne Stausboll
Chief Actuary	Alan Milligan
General Counsel	Peter Mixon
Chief Investment Officer	Joe Dear
Chief Operating Investment Officer	Janine Guillot
Senior Investment Officer, Alternative Investments	Vacant
Senior Investment Officer, Asset Allocation	Farouki Majeed
Senior Investment Officer, Fixed Income	Curtis Ishii
Senior Investment Officer, Global Equities	Eric Baggesen
Senior Investment Officer, Real Estate	Ted Eliopoulos